

December 23, 2022

The Honorable Jennifer Granholm
Secretary of Energy
United States Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585-1000

Re: Request for Emergency Order Under Section 202(c) of the Federal Power Act

Dear Secretary Granholm:

Pursuant to Section 202(c) of the Federal Power Act (“FPA”) and part 205, subpart W, of the regulations of the Department of Energy (“DOE”), Electric Reliability Council of Texas, Inc. (“ERCOT”) respectfully requests that the Secretary of Energy (“Secretary”) find that an electric reliability emergency exists within the State of Texas that requires intervention by the Secretary, in the form of a Section 202(c) emergency order, to preserve the reliability of the bulk electric power system. ERCOT respectfully requests that the Secretary issue an order immediately, effective today, December 23, 2022, authorizing all electric generating units located within the ERCOT interconnection to operate up to their maximum generation output levels under the limited circumstances described in this letter, notwithstanding air quality or other permit limitations. In accordance with 10 CFR § 205.391(a), ERCOT requests that such order be entered as soon as possible today, December 23, 2022, and remain effective through 10:00 a.m. Central Standard Time (CST) on Sunday, December 25, 2022.

Background

ERCOT is one of many regions across the country currently being impacted by a severe winter weather system. For Texas, this weather system caused a significant drop in temperatures early yesterday afternoon, accompanied by high winds in excess of 40 mph. The resulting wind chill values across the state were generally below ten degrees Fahrenheit, with some areas of the state experiencing wind chills well below zero degrees. As a consequence of the impact of wind and decreasing temperatures, the demand for electricity in ERCOT rose to an all-time winter peak this morning, in excess of 74,000 MW. This severely cold weather is expected to last through Sunday morning.

While the vast majority of generating units in the ERCOT region continue to operate without any problem, some units have experienced operating difficulties due to cold weather or gas curtailments. Specifically, approximately 11,000 MW of thermal generating units, 4,000 MW of wind generating units, and 1,700 MW of solar units are currently outaged or derated due to these conditions. Most of these units are expected to return to service over the next 24 hours. However, if these units do not return to service, or if ERCOT experiences additional generating unit outages, it is possible that ERCOT may need to curtail some amount of firm load this evening, tomorrow

morning, or possibly tomorrow evening or Sunday morning, in order to maintain the security of the ERCOT system.

ERCOT is taking measures to ensure the supply of generation will continue to be sufficient to meet system demand and reserve requirements. Yesterday, at ERCOT's request, the Texas Commission on Environmental Quality ("TCEQ") announced that it will provide enforcement discretion to generators in the ERCOT region that may exceed state emissions requirements during anticipated or actual emergency conditions. Earlier today, ERCOT directed certain dual-fuel units enrolled in ERCOT's new Firm Fuel Supply Service to begin operating on fuel oil or on-site natural gas due to natural gas delivery limitations. Moreover, if generating reserves do eventually diminish to a level that requires ERCOT to declare an Energy Emergency Alert (EEA), ERCOT will take additional measures to provide additional reserves, including:

- Utilizing all available DC Tie import capacity;
- Issuing a public conservation appeal;
- Deploying capacity enrolled in ERCOT's Emergency Response Service;
- Instructing transmission and distribution service providers to implement distribution voltage reduction measures and to deploy customers enrolled in load management programs;
- Instructing Load Resources providing Responsive Reserve Service (RRS) to curtail their demand, and instruct Generation Resources providing RRS to make their capacity available for ERCOT's dispatch; and
- Instructing Energy Storage Resources to suspend charging.

Even so, it is possible that these measures may not be sufficient to avoid the need to curtail firm load to ensure system reliability.

Relief Requested

ERCOT has been notified by one generation owner that some of its generating units are currently limited in their power output due to emissions, effluent, and other limits established by federal environmental permits, or that, due to continuing cold weather conditions, may become subject to such operational limitations. These units are described in Exhibit A to this letter. Specifically, ERCOT has been informed that the operation of these gas-fired generators is or may be impacted by permit restrictions on nitrogen oxide, carbon monoxide, and ammonia emissions.

While only one entity has confirmed an operational limitation based on emissions restrictions, ERCOT is also aware that many other generators not included on this list are subject to similar federal permit limits, and it is possible that some of these units could encounter an operational limitation due to a restriction under a federal environmental permit at some point before 10:00 a.m. CST on Sunday. Because the output from all of the generators subject to these restrictions would help to reduce the need for any firm load shedding that may be required during this extreme cold weather event, ERCOT seeks an immediate order from DOE authorizing the

provision of additional energy from the units identified in Exhibit A, as well as any other generating units subject to emissions or other permit limitations. This relief would be available only under the following limited circumstances:

- For any Generation Resource or Settlement Only Generator whose operator notifies ERCOT that the unit is unable, or expected to be unable, to produce at its maximum output due to an emissions or other limit in any federal environmental permit at any point after the issuance of this order but before 12:00 p.m. CST on Saturday, December 24, 2022, or after 6:00 p.m. CST on Saturday, December 24, 2022 but before 10:00 a.m. CST on Sunday, December 25, 2022, the unit will be allowed to exceed any such limit only during any period for which ERCOT has declared an Energy Emergency Alert (EEA) Level 2 or Level 3. This incremental amount of restricted capacity would be offered at a price no lower than \$1,500/MWh. Once ERCOT declares that the EEA Level 2 event has ended, the unit would be required to immediately return to operation within its permitted limits. And at all other times, the unit would be required to operate within its permitted limits.
- For any Generation Resource whose operator notifies ERCOT that the unit is offline or would need to go offline at any point after the issuance of this order but before 12:00 p.m. CST on Saturday, December 24, 2022, or after 6:00 p.m. CST on Saturday, December 24, 2022 but before 10:00 a.m. CST on Sunday, December 25, 2022, due to an emissions or other limit in any federal environmental permit, ERCOT may issue a Reliability Unit Commitment (RUC) instruction directing the unit operator to bring the unit online, or to keep the unit online, and to operate at the minimum level at which the Resource can be sustainably operated. In this circumstance, the operator would be allowed to make all of the unit's capacity available to ERCOT for dispatch during any period for which ERCOT has declared an Energy Emergency Alert (EEA) Level 2 or Level 3. This incremental amount of restricted capacity would be offered at a price no lower than \$1,500/MWh. Once ERCOT declares that such an EEA Level 2 event has ended, the unit would be required to immediately return to operating at a level below the higher of its minimum operating level or the maximum output allowable under the permitted limit.

ERCOT does not lightly request this authorization. It understands the importance of the environmental permit limits that are at issue. However, in ERCOT's judgment, the loss of power to homes and local businesses in the areas that may be affected by curtailments presents a far greater risk to public health and safety than the temporary exceedances of those permit limits that would be allowed under the requested order. Authorizing resources in the ERCOT interconnection to operate notwithstanding permit and other limitations will help ensure ERCOT can meet its energy and reserve requirements.

This request is narrowly tailored to allow only the exceedances that are necessary to ensure reliability during the limited timeframe of this request. Limiting the requested allowance to situations involving an EEA Level 2 or 3 will ensure that the generation capacity subject to emissions limits and other permit restrictions will be the last generation that is made available for dispatch to meet system demand, thus minimizing any environmental impact to the greatest degree possible. While reserving the deployment of this permit-restricted capacity to EEA Level 2 or 3 should be sufficient to de-prioritize the dispatch of this generation, ERCOT would also require

these Resources, as a condition for the requested allowance, to price this incremental capacity no lower than \$1,500/MWh which will provide a separate mechanism to help ensure this capacity is deployed only when absolutely necessary.

Upon issuance of the requested order, ERCOT would issue a market notice to all ERCOT market participants describing the conditions of this allowance. The notice would require that any market participant that finds it necessary to utilize this allowance must notify ERCOT in advance of doing so, to ensure ERCOT's operators are aware the capacity is available during an EEA Level 2 or Level 3. This notification requirement would apply to all generators, including those identified on Exhibit A. ERCOT commits to providing notice to DOE at or before 9 a.m. CST and at or before 9 p.m. CST on December 24, 2022 and December 25, 2022, of each of those generating units that has been designated to use this allowance. ERCOT is also prepared to provide any additional information DOE may request, including information about the quantification of exceedances of environmental limits by units that invoke the authorization available under this order. ERCOT commits to respond to any requests for additional information on an expedited basis.

ERCOT greatly appreciates DOE's expedited consideration of this request. Please do not hesitate to contact me or my staff if you have any questions or require additional information in order to act on this request.

Respectfully,

/s/ Pablo Vegas _____

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Exhibit A

Unit Name	Unit Code	Fuel Type	County	Winter Net Max Sustainable Rating	Winter Net Min Sustainable Rating
Bosque Energy Center Block 1	BOSQUESW_CC1	Natural Gas	Bosque	253.75	120.7
Bosque Energy Center Block 2	BOSQUESW_CC2	Natural Gas	Bosque	567.59	110.3
Freestone Energy Center Block 1 (Fairfield, TX)	FREC_CC1	Natural Gas	Freestone	501.25	130.37
Freestone Energy Center Block 2 (Fairfield, TX)	FREC_CC2	Natural Gas	Freestone	501.89	125.3
Guadalupe Energy Center Block 1	GUADG_G1	Natural Gas	Guadalupe	516	92
Guadalupe Energy Center Block 2	GUADG_G2	Natural Gas	Guadalupe	537	92
Baytown Energy Center	BTE_CC1	Natural Gas	Chambers	650.61	1
Channel Energy Center	CHE_CC1	Natural Gas	Harris	693	1
Deer Park Energy Center	DDPEC_CC1	Natural Gas	Harris	1316	319.4
Pasadena Power Plant II	PASGEN	Natural Gas	Harris	522	179
Pasadena Power Plant I	CALPINE COGEN	Natural Gas	Harris	189.6	37.1
Jack A. Fusco Energy Center	BVE_CC1	Natural Gas	Fort Bend	606	148
Texas City Power Plant	TXCTY_CC1	Natural Gas	Galveston	438.63	60.55
Corpus Christi Energy Center	CCEC_C1	Natural Gas	Nueces	422	6
Hidalgo Energy Center	DUKE_CC1	Natural Gas	Hidalgo	475	141
Magic Valley Generation Station	NEDIN_C1	Natural Gas	Hidalgo	695.01	203.78